



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 02/07/2005

**GAIN Report Number:** VM5009

## Vietnam

### Grain and Feed

### January Rice Update

### 2005

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**Report Highlights:**

Vietnam rice production in 2004 is unexpectedly estimated another record of 33,457 thousand metric tons (tmt) from last update 33,274 tmt due to increasing in both planting and harvested area and yield in the late Summer - Autumn (S-A) crop in Mekong River Delta (MRD), the major region planting S-A crop in the country. Rice exports in 2004 are estimated to exceed more than 4.2 million metric tons, higher than the Government's target of 3.8 million metric tons due to significantly increased sales to African countries and an unofficial volume through border trade to China. Trade data on Vietnam's January-December rice exports by grade/destination and revised rice PS&D tables are also included.

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Includes PSD Changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Hanoi [VM1]

[VM]

## TABLE OF CONTENTS

<b>PRODUCTION</b> .....	<b>2</b>
Summer-Autumn (S-A) rice crop .....	2
Lua Mua 'Ten Month' crop - crop year 2004-2005.....	3
Winter-Spring (W-S) rice crop - crop year 2004-2005.....	3
Table 1: Vietnam Rough Rice Area, Yield and Production (Revised January, 2005) .....	3
<b>PRICES</b> .....	<b>4</b>
Domestic prices.....	4
Export prices .....	4
<b>EXPORTS</b> .....	<b>4</b>
Vietnam's 2004 January-December rice exports .....	4
Table 2: Vietnam's Calendar Year 2004 rice exports by grades and destinations.....	5
Vietnam's fragrant rice exports sharply increased in 2004 .....	6
Vietnam's 2005 rice exports .....	6
Table 3: Vietnam Rice PS&D table .....	7
<b>POLICY</b> .....	<b>7</b>
High quality production supported by the government .....	7

## **PRODUCTION**

Vietnam rice production in 2004 is unexpectedly estimated higher than last estimation due to increasing in both planting and harvested area and yield in the late Summer - Autumn (S-A) crop in Mekong River Delta (MRD), the major region planting S-A crop in the country. Post revises the total production up to 33,457 thousand metric tons (tmt) from last update 33,274 tmt.

### **Summer-Autumn (S-A) rice crop**

#### **Crop year 2004**

Post revises the 2004 S-A rice production to 9,859 tmt up from the previous estimate of 9,676 tmt, the key factor of the induction was from some extra harvested area of the late S-A crop which was harvested till end November (also called Autumn-Winter crop), since farmers tried to increase their production to in the last crop of 2003-2004 crop year to maximize their income from a favorably high selling price.

#### **Crop year 2005**

Post estimates the area for S-A 2005 at the same acreage as S-A 2004. The main reasons are S-A crop is the crop planted mainly in MRD other than Red River Delta (RRD). Farmers can take an advantage of water from rainy season to maximize the planting area when rice is more profitable crop.

### **Lua Mua ‘Ten Month’ crop - crop year 2004-2005**

Around 30-40 thousand hectares (tha) estimated by post is the increase of Lua mua crop year 2004/2005 compare with that of 2003-2004. Due to severe drought by end 2004, the expectation of harvest area is only slightly higher than the last crop, 2,110 tha compare with 2,103 tha.

According to the Ministry of Agriculture and Rural Development (MARD), as of January 25, Provinces in RRD have already finished harvesting Lua Mua and yield is slightly higher than last Lua Mua crop, However, no official data available. At the same time, about 78% of planted area was harvested in the MRD (314 tha vs. 399 tha).

### **Winter-Spring (W-S) rice crop - crop year 2004-2005**

The total harvested area for W-S crop was estimated also slightly lower than previous year due to unfavorable weather, 2,980 tha compare with 2,995 tha. Yield is also expected mildly lower. (See table 1).

As of January 25, according to MARD, the total planting area in MRD is 1,458 tha, about 8 tha higher than planning. Around 200 tha has been harvested.

Post revises Vietnam's 2004 S-A rice production to 9,859 tmt from previous estimate of 9,676 tmt. For 2005 total production, new adjustment is made to 33,540 tmt from first estimate 33,300 tmt due to estimated harvested area increased from 7,400 tha to 7,460 tha. (See table 1).

**Table 1: Vietnam Rough Rice Area, Yield and Production (Revised January, 2005)**

	<b>2003</b>		<b>2004</b>		<b>2005 Estimate</b>	
<b>Harvested Area (tha)</b>	<b>Old</b>	<b>New</b>	<b>Old</b>	<b>New</b>	<b>Old</b>	<b>New</b>
Lua Mua (10th month)	2,170	2,170	2,103	2,103		2,110
Winter-Spring	3,000	3,000	2,995	2,995		2,980
Summer-Autumn	2,235	2,300	2,360	2,370		2,370
<b>TOTAL</b>	<b>7,405</b>	<b>7,470</b>	<b>7,458</b>	<b>7,468</b>	<b>7,400</b>	<b>7,460</b>
<b>Yield (mt/ha)</b>						
Lua Mua (10th Month)	3.74	3.74	3.73	3.73		3.73
Winter-Spring	5.20	5.20	5.26	5.26		5.25
Summer-Autumn	3.85	3.87	4.10	4.16		4.23
<b>TOTAL</b>	<b>4.36</b>	<b>4.37</b>	<b>4.46</b>	<b>4.48</b>	<b>4.50</b>	<b>4.50</b>
<b>Production (tmt)</b>						
Lua Mua (10th Month)	8,116	8,116	7,844	7,844		7,870
Winter-Spring	15,600	15,600	15,754	15,754		15,645
Summer-Autumn	8,605	8,901	9,676	9,859		10,025
<b>TOTAL</b>	<b>32,321</b>	<b>32,617</b>	<b>33,274</b>	<b>33,457</b>	<b>33,300</b>	<b>33,540</b>

## PRICES

Exchange rate VND 15,785 equal to \$1 as of January 31, 2005

### Domestic prices

#### In the North

By end January, Paddy prices in Northern provinces are ranging from VND 2,700 to 2,800 per kilogram, up VND 100-200 per kilogram compared with prices quoted end December. Ordinary rice is quoted at VND 3,400-3,500 per kilogram.

#### In the MRD

Paddy prices in the MRD are soaring high and have been quoted at VND 2,450-2,550 per kilogram, increased VND 100/kg from prices in late December. Prices keep increase because of high demand from rice exporters and less supply from local market. Traders expected that prices would be more stable by end February when there is more quantity of rice harvest from W-S crop.

### Export prices

Current export prices of Viet rice considerably increased from USD 15-20 compare with those from late December 2004, the shortage of exportable quantity and high demand from export contracts has made prices keep on increase.

Export prices are currently being quoted at USD 266/mt, 262/mt, 255/mt, 250/mt for 5%, 10%, 15%, 25% broken rice respectively. There is a big difference of export prices when they had been quoted USD 228/mt, 225/mt, 220/mt, and 216/mt at the same time in 2004.

**EXPORTS****Vietnam's 2004 January-December rice exports**

Vietnam's 2004 January-December rice export officially estimated at 3,904 tmt slightly up from 3,870 tmt exported in 2003. However, the rice export value increased 24% to USD 850 million, due to significant different of export prices in 2004 compare with 2003.

Asian countries remained the biggest buyers of Vietnam's rice, but only equal to 69% of 2003, the major loss is Indonesia, the biggest rice buyer of Vietnam in 2003, has stopped imports of Vietnamese rice since the early 2004. Vietnamese rice exports to African countries, however, were up 50% to around 1,400 tmt. The rice export volume to Europe was more than double. Rice shipped to Cuba also 50% greater in volume, to 450 tmt.

Export of rice by grade, 25% broken rice was around 38%, while 5% broken rice was 34% of total export.

Rice export to China through the border trade is still unavailable in official export figure. According to a reliable estimate, total rice sold to China in 2004 was around 365 tmt. Rice quality to China was also unclear. The total Vietnam rice export, including China, to be at 4.26 million tons, a new rice export record since the year of 2000.

**Table 2: Vietnam's calendar year 2004 rice exports by grades and destinations**

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	<b>653,637</b>	<b>46,984</b>	<b>113,934</b>	<b>761,756</b>	<b>680</b>	<b>29,103</b>	<b>10,099</b>	<b>16,020</b>	<b>1,632,213</b>
In which: Indonesia	3,500	1,508	18,327	3,200	-	8,823	-	-	35,358
Philippines	8,782	1,775	2,550	650,980	-	2,475	-	-	666,562
Malaysia	180,384	4,160	28,236	97,073	-	15,880	6,554	1,020	333,307
Singapore	16,756	6,708	28,120	8,958	680	675	1,220	600	63,717
East Timor	450	943	10,801	1,545	-	-	75	-	13,814
Iraq	323,050	25,000	-	-	-	-	-	-	348,050
Iran	89,250	-	-	-	-	-	-	-	89,250
Syria	-	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-	-
North Korea	-	-	-	-	-	-	-	-	-
Japan	15,000	-	23,200	-	-	-	-	-	38,200
Cambodia	-	-	-	-	-	-	-	-	-
Hong Kong	94	-	-	-	-	-	-	-	94
Others*	16,371	6,890	2,700	-	-	1,250	2,250	14,400	43,861
AFRICA	<b>623,522</b>	<b>24,416</b>	<b>311,005</b>	<b>279,549</b>	<b>164,495</b>	-	<b>32,000</b>	-	<b>1,434,987</b>
In which: Tanzania	17,100	1,416	16,409	880	-	-	-	-	35,805
Senegal	-	-	-	-	36,750	-	-	-	36,750
Angola	24,950	-	3,000	4,000	-	-	-	-	31,950

Rwanda	-	-	500	250	-	-	-	-	750
Ghana	17,000	-	4,000	2,500	-	-	-	-	23,500
Uganda	-	-	1,640	-	-	-	-	-	-
Ivory coast	26,390	-	-	15,800	-	-	-	-	12,000
Reunion	-	-	-	-	-	-	-	-	-
West Africa	-	-	-	3,000	3,350	-	-	-	-
Mozambique	-	-	8,000	13,500	-	-	-	-	18,200
Yemen	8,057	-	-	-	-	-	-	-	1,147
Kenya	5,200	-	44,330	-	-	-	-	-	48,030
Congo	-	-	525	-	-	-	-	-	-
Libya	65,500	-	-	-	-	-	-	-	65,500
Others*	459,325	23,000	232,601	239,619	124,395	-	32,000	-	1,110,940
EUROPE and CIS	<b>52,894</b>	<b>78,358</b>	<b>22,300</b>	<b>7,450</b>	<b>3,110</b>	-	<b>3,000</b>	<b>17,287</b>	<b>184,399</b>
In which: Russia	44,000	51,110	6,000	-	-	-	-	-	101,110
Ukraine	-	5,500	2,000	-	-	-	-	-	7,500
Poland	7,500	7,000	10,500	7,450	3,000	-	3,000	-	38,450
Others*	1,394	14,748	3,800	-	110	-	-	17,287	37,339
AMERICAS	<b>1,028</b>	-	-	<b>449,224</b>	-	-	-	-	<b>450,252</b>
In which: Cuba	-	-	-	449,224	-	-	-	-	449,224
Brazil	-	-	-	-	-	-	-	-	-
AUSTRALIA	<b>4,318</b>	<b>22</b>	-	-	-	-	<b>819</b>	<b>3,250</b>	<b>8,409</b>
UNKNOWN	-	-	-	-	<b>9,550</b>	-	-	<b>184,461</b>	<b>194,011</b>
<b>TOTAL</b>	<b>1,335,399</b>	<b>149,780</b>	<b>447,239</b>	<b>1,497,979</b>	<b>177,835</b>	<b>29,103</b>	<b>45,918</b>	<b>221,018</b>	<b>3,904,271</b>

\* 'Others' indicates that no clear destination is declared. It may/may not include the countries in the list of the same region

Source: Traders

### **Vietnam's fragrant rice exports sharply increased in 2004**

Vietnam's exports of fragrant rice in calendar year 2004 was at 46 tmt, compared to only 6 tmt exported in 2003. Both farmers and exporters enjoyed the export price difference of around USD 30-40/mt compare with 5% broken rice. However, export selling price still very competitive in the international market.

### **Vietnam's 2005 rice exports**

In early 2005, five Vietnamese exporters won tenders of 320 tmt and followed by another 80 tmt totaled 400 tmt to the Philippines. Vietnam also got the demand from Iran for 90-120 tmt when Vietnam rice became one the most competitive sources in international market.

Vietnam Southern Food Corporation (Vinafood 2), the Vietnam's biggest rice exporters is also looking at some new markets in 2005, they are Libya, North Africa, Russia and the Middle East. There were some small shipments to these markets in 2004.

Vietnam Rice export estimate in 2005 is to reach 4,000 tmt. From the trade policy of Vietnam Government to maintain export rice prices at high level, total export volume should be controlled very strictly to avoid prices dramatically fluctuation which can cause substantial loss from Vietnamese exporters, which happened in early 2004.

In the meeting on review of activities of Vietfood exporters in 2004, chaired by Vice Minister of Trade Phan The Rue, Vietfood has set the target of USD 1 billion export value in 2005. This means the government of Vietnam encourages more exports of high quality rice in 2005. According to Mr. Phan The Rue, The Ministry of Trade, in order to achieve the target of USD 1 billion of rice export value, exporters would need to improve quality to increase more value as well as increase sales of high quality rice, instead of relying on lower-grade grains in previous years. Traders expect export volumes of Jasmine rice will double in 2005 because of its competitive export price advantage in international market. However, the quality stability is one of the main factors for Vietnamese exporters to improve both their sales volume and value.

Post revises the estimate of Vietnam's 2005 rice exports at 4.0 mmt (see Vietnam rice PS&D table).

**Table 3: Vietnam Rice PS&D table**

Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		01/2003		01/2004		
Area Harvested	7470	7407	7358	7468	7450	7460
Beginning Stocks	3493	1168	1025	1025	2642	1292
Milled Production	21527	21527	21337	22082	21500	22136
Rough Production	32617	32617	32329	33457	32576	33540
MILLING RATE (.9999)	6600	6600	6600	6600	6600	6600
TOTAL Imports	40	0	20	300	40	100
Jan-Dec Imports	40	0	20	300	40	100
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	25060	22695	22385	23407	24182	23528
TOTAL Exports	3795	3870	3500	4265	3750	4000
Jan-Dec Exports	3795	3870	3500	4265	3750	4000
TOTAL Dom. Consumption	17800	17800	17850	17850	18600	18000
Ending Stocks	3465	1025	1032	1292	1832	1528
TOTAL DISTRIBUTION	25060	22695	22382	23407	24182	23528

## **POLICY**

### **High quality production supported by the government**

According to MARD, among 5-10 new varieties released in crop year 2005, ST5 is a new variety approved by MARD for commercial production in 2005 W-S crop, for fragrant rice export program. ST5 is a fragrant rice variety that can grow well in rainy crops, the most benefit of this variety is its yield can reach up to 10 mts/ha. Seed is pre-financed by Vietnam Southern Food Company's members, fresh harvested paddy is guaranteed to buy out with the floor price of VND 2,000/kg.